NATIONAL URBAN LEAGUE, INC.

Consolidated Financial Statements
For the Years Ended December 31, 2020 and 2019
With Independent Auditor's Report

MITCHELL TITUS
ACHIEVING EXCELLENCE TOGETHER

NATIONAL URBAN LEAGUE, INC.
Years Ended December 31, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
National Urban League, Inc.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the National Urban League, Inc. (the League or NUL), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

80 Pine Street
New York, NY 10005
T +1 212 709 4500
F +1 212 709 4680
mitchelltitus.com

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of National Urban League, Inc. at December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Mitchell & Titus, LLP

January 31, 2022

NATIONAL URBAN LEAGUE, INC.
Consolidated Statements of Financial Position
As of December 31, 2020 and 2019

	2020	2019
ASSETS		
Cash, cash equivalents and restricted cash	$ 32,292,228	$ 14,378,394
Restricted cash deposit held in escrow	29,805,709	-
Funds held in escrow by others	13,825,976	-
Prepaid expenses and other assets	524,533	543,905
Grants and pledges receivable, net - current	18,733,694	7,236,089
Grants and pledges receivable, net - non-current	13,638,333	2,095,791
Franchise fees receivable, net	-	641,802
Investments	148,240,680	21,786,438
Loan receivable - NMTC	3,633,250	-
Other assets	2,268,146	-
Interest rate swap agreement	279,747	111,246
Operating lease right of use assets	9,022,141	2,820,846
Property and equipment, net	15,101,250	11,569,150
Total assets	$ 287,365,687	$ 61,183,661
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 4,821,169	$ 3,431,302
Accrued payroll and vacation benefits	244,138	486,745
Accrued defined contribution costs	425,512	492,903
Contract advances and other deposits	344,570	212,834
Bonds payable (net of debt issuance costs of $119,204 in 2020 and $124,968 in 2019)	26,247,768	3,863,954
Loan payable-NMTC (net of debt issuance costs of $634,143 in 2020)	4,365,857	-
Operating lease liability	1,933,704	3,850,085
SBA loan, including interest of $49,946	2,547,253	-
Accrued pension benefit costs	6,314,948	6,077,795
Total liabilities	47,244,919	18,415,618
Net assets (deficit)		
Without donor restrictions		
Undesignated	23,563,627	6,110,924
Board-designated	25,000,000	-
Pension-related	(10,616,602)	(9,390,347)
Total without donor restrictions	37,947,025	(3,279,423)
With donor restrictions	202,173,743	46,047,466
Total net assets	240,120,768	42,768,043
Total liabilities and net assets	$ 287,365,687	$ 61,183,661

The accompanying notes are an integral part of these consolidated financial statements.

NATIONAL URBAN LEAGUE, INC.
Consolidated Statement of Activities
For the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING ACTIVITIES			
Revenue, gains, and other support			
Government grants and contracts	$ 16,293,891	$ -	$ 16,293,891
Donated materials,services and other assets	1,682,934	4,871,802	6,554,736
Contributions	11,946,724	170,429,969	182,376,693
Legacies and bequests	447,861	-	447,861
Special events	1,372,072	-	1,372,072
Program service fees	873,909	-	873,909
Franchise fees	-	-	-
Net investment return designated for current operations	1,671,893	-	1,671,893
Sale of publications	2,222	-	2,222
Other	282,164	-	282,164
Net assets released from restrictions			
Satisfaction of restrictions	20,022,124	(20,022,124)	-
Total revenue, gains, and other support	54,595,794	155,279,647	209,875,441
OPERATING EXPENSES			
Program services			
Economic empowerment	25,050,452	-	25,050,452
Education and youth empowerment	3,685,086	-	3,685,086
Civic engagement and leadership empowerment	7,611,428	-	7,611,428
Technical assistance to affiliates	4,443,480	-	4,443,480
Health and quality of life empowerment	587,770	-	587,770
Civil rights and racial justice empowerment	325,293	-	325,293
Total program services	41,703,509	-	41,703,509
Supporting services			
Management and general	7,223,956	-	7,223,956
Fundraising	4,852,455	-	4,852,455
Total expenses	53,779,920	-	53,779,920
Changes in net assets from operations	815,874	155,279,647	156,095,521
NON-OPERATING ACTIVITIES			
Board-designated contributions	41,468,328	-	41,468,328
Net investment return net of amount designated for current operations	-	846,630	846,630
Gain on fair value of interest rate swap obligation	168,501	-	168,501
Pension-related changes other than net periodic pension costs	(1,226,255)	-	(1,226,255)
Total non-operating activities	40,410,574	846,630	41,257,204
Changes in net assets	41,226,448	156,126,277	197,352,725
Net assets (deficit), beginning of year	(3,279,423)	46,047,466	42,768,043
Net assets (deficit), end of year	$ 37,947,025	$ 202,173,743	$ 240,120,768

The accompanying notes are an integral part of these consolidated financial statements.

NATIONAL URBAN LEAGUE, INC.
Consolidated Statement of Activities
For the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING ACTIVITIES			
Revenue, gains, and other support			
Government grants and contracts	$ 19,392,704	$ -	$ 19,392,704
Donated materials and services	7,251,319	-	7,251,319
Contributions	8,010,914	13,338,125	21,349,039
Legacies and bequests	31,123	-	31,123
Special events	1,431,772	-	1,431,772
Program service fees	5,959,296	-	5,959,296
Franchise fees	902,500	-	902,500
Net investment return designated for current operations	1,093,274	-	1,093,274
Sale of publications	24,142	-	24,142
Other	434,785	-	434,785
Net assets released from restrictions			
Satisfaction of restrictions	14,557,776	(14,557,776)	-
Total revenue, gains, and other support	59,089,605	(1,219,651)	57,869,954
OPERATING EXPENSES			
Program services			
Economic empowerment	24,360,830	-	24,360,830
Education and youth empowerment	4,832,048	-	4,832,048
Civic engagement and leadership empowerment	13,459,961	-	13,459,961
Technical assistance to affiliates	2,495,585	-	2,495,585
Health and quality of life empowerment	664,995	-	664,995
Civil rights and racial justice empowerment	278,169	-	278,169
Urban empowerment	300,573	-	300,573
Total program services	46,392,161	-	46,392,161
Supporting services			
Management and general	7,931,801	-	7,931,801
Fundraising	4,010,996	-	4,010,996
Total expenses	58,334,958	-	58,334,958
Changes in net assets from operations	754,647	(1,219,651)	(465,004)
NON-OPERATING ACTIVITIES			
Net investment return net of amount designated for current operations	-	2,544,077	2,544,077
Gain on fair value of interest rate swap obligation	72,630	-	72,630
Pension-related changes other than net periodic pension costs	817,481	-	817,481
Total non-operating activities	890,111	2,544,077	3,434,188
Changes in net assets	1,644,758	1,324,426	2,969,184
Net assets (deficit), beginning of year	(4,924,181)	44,723,040	39,798,859
Net assets (deficit), end of year	$ (3,279,423)	$ 46,047,466	$ 42,768,043

The accompanying notes are an integral part of these consolidated financial statements.

NATIONAL URBAN LEAGUE, INC.
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019

	2020	2019
CASH FLOW FROM OPERATING ACTIVITIES		
Change in net assets	$ 197,352,725	$ 2,969,184
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Pension-related changes other than net periodic pension costs	1,226,255	(817,481)
Depreciation and amortization	1,590,065	1,599,949
Donated assets	(4,871,802)	-
Amortization of debt issuance costs	5,767	5,767
Realized loss on write-off of fixed assets	894	14,183
Realized (gain) on sales of investments	(2,541,477)	(1,875,516)
Provision of uncollectible receivables	634,388	1,178,264
Unrealized depreciation (appreciation) of investments	433,757	(1,379,738)
Unrealized gain on interest rate swap agreement	(168,501)	(72,630)
Changes in operating assets and liabilities		
Change in grants and pledges receivable - current	(9,031,979)	3,764,033
Change in grants and pledges receivable - non-current	(14,117,393)	(288,488)
Change in franchise fees receivable	116,639	(225,198)
Change in prepaid expenses and other assets	19,372	24,813
Change in operating lease right use asset, net	(3,597,639)	1,379,548
Change in accounts payable and accrued expenses	299,708	(791,112)
Change in accrued payroll and vacation benefits	(242,607)	(49,409)
Change in operating lease liability	(1,916,381)	(1,893,567)
Change in accrued pension benefit cost	(989,102)	238,069
Change in accrued defined contribution costs	(67,391)	(232,106)
Change in contract advances and other deposits	131,736	(7,874)
Net cash provided by operating activities	164,267,034	3,540,691
CASH FLOW FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(3,982,954)	(346,808)
Sales of investments	12,976,528	22,613,190
Purchases of investments	(137,323,050)	(21,829,500)
Net cash (used in) provided by investing activities	(128,329,476)	436,882
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of revenue bonds	(121,953)	(118,168)
SBA PPP loan proceeds	2,497,307	-
Bond proceeds	8,674,024	-
Loan proceeds - NMTC	5,000,000	-
Loan issuance costs - NMTC	(634,143)	-
Loan disbursement - NMTC	(3,633,250)	-
Repayment of line of credit	-	(1,500,000)
Net cash provided by (used in) financing activities	11,781,985	(1,618,168)
Net increase in cash, restricted cash and cash equivalents	47,719,543	2,359,405
Cash, cash equivalents and restricted cash, beginning of year	14,378,394	12,018,989
Cash, cash equivalents and restricted cash, end of year	$ 62,097,937	$ 14,378,394
SUPPLEMENTAL INFORMATION		
Interest paid	$ 391,082	$ 179,083

The accompanying notes are an integral part of these consolidated financial statements.

NATIONAL URBAN LEAGUE, INC.
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2020

	Program Services								Supporting Services		
	Economic Empowerment	Education and Youth Empowerment	Civic Engagement and Leadership Empowerment	Technical Assistance to Affiliates	Health and Quality of Life Empowerment	Civil Rights and Racial Justice Empowerment	Urban Empowerment Fund	Total	Management and General	Fundraising	Total
Salaries	$ 1,943,823	$ 937,480	$ 1,785,203	$ 780,517	$ 248,590	$ 160,246	$ -	$ 5,855,859	$ 3,288,392	$ 1,280,878	$ 10,425,129
Payroll taxes and related benefits	587,300	265,865	521,879	218,576	60,987	31,707	-	1,686,314	903,496	385,890	2,975,700
Subcontract payments	16,281,872	1,641,706	566,500	2,749,255	100,000	-	-	21,339,333	-	-	21,339,333
Donated materials and services	1,233,706	-	376,778	-	-	-	-	1,610,484	72,450	25,000	1,707,934
Professional contract services	3,897,257	226,233	2,658,610	287,453	49,502	44,000	-	7,163,055	574,974	2,268,188	10,006,217
Supplies	43,045	59,508	160,149	9,938	3,154	2,132	-	277,926	46,667	22,377	346,970
Telephone	99,097	48,139	115,088	41,592	14,376	10,461	-	328,753	173,495	61,247	563,495
Occupancy	258,090	130,823	283,576	108,094	31,213	18,277	-	830,073	474,775	185,475	1,490,323
Commercial insurance	33,857	17,037	54,572	12,366	3,300	1,794	-	122,926	52,300	29,579	204,805
Postage and shipping	6,297	2,888	21,903	3,183	2,284	2,249	-	38,804	19,101	1,615	59,520
Printing, duplication, and artwork	2,225	22,967	8,255	2,872	833	815	-	37,967	4,079	276	42,322
Travel, conferences, and conventio	72,352	52,038	90,085	42,482	19,616	19,259	-	295,832	140,799	25,016	461,647
Subscription and publication	12,346	17,057	203,555	11,682	1,415	1,020	-	247,075	32,563	37,087	316,725
Furniture and equipment	50,004	24,526	55,384	20,664	7,575	5,401	-	163,554	86,750	31,518	281,822
Awards and grants	-	56,250	-	-	-	-	-	56,250		-	56,250
Bad debt	-	-	-	-	-	-	-	-	634,388	-	634,388
Interest expense	38,799	18,127	35,540	14,903	3,977	2,162	-	113,508	67,968	26,311	207,787
Miscellaneous	190,702	24,428	399,837	24,793	10,233	9,072	-	659,065	141,649	268,774	1,069,488
Depreciation and amortization	299,680	140,014	274,514	115,110	30,715	16,698	-	876,731	510,110	203,224	1,590,065
Total expenses	$ 25,050,452	$ 3,685,086	$ 7,611,428	$ 4,443,480	$ 587,770	$ 325,293	$ -	$ 41,703,509	$ 7,223,956	$ 4,852,455	$ 53,779,920

The accompanying notes are an integral part of these consolidated financial statements.

NATIONAL URBAN LEAGUE, INC.
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2019

	Program Services								Supporting Services		
	Economic Empowerment	Education and Youth Empowerment	Civic Engagement and Leadership Empowerment	Technical Assistance to Affiliates	Health and Quality of Life Empowerment	Civil Rights and Racial Justice Empowerment	Urban Empowerment Fund	Total	Management and General	Fundraising	Total
Salaries	$ 2,315,102	$ 986,754	$ 1,654,312	$ 869,632	$ 260,319	$ 110,581	$ 240,361	$ 6,437,061	$ 3,185,700	$ 1,364,481	$ 10,987,242
Payroll taxes and related benefits	811,948	339,159	533,530	298,308	87,182	33,362	19,954	2,123,443	1,080,917	476,270	3,680,630
Subcontract payments	17,283,528	2,063,659	300,000	237,500	92,000	-	30,000	20,006,687	-	-	20,006,687
Donated materials and services	1,739,762	-	5,360,557	-	-	-	-	7,100,319	151,000	15,500	7,266,819
Professional contract services	702,969	400,450	3,016,007	344,353	59,995	43,082	6,641	4,573,497	450,502	1,167,182	6,191,181
Supplies	32,422	27,703	108,409	14,598	7,365	1,516	-	192,013	41,372	17,162	250,547
Telephone	79,884	36,041	74,262	34,046	9,795	5,003	-	239,031	129,392	44,806	413,229
Occupancy	310,028	132,609	232,199	116,636	33,119	13,115	-	837,706	415,861	186,089	1,439,656
Commercial insurance	39,945	16,876	28,469	14,842	4,260	1,660	-	106,052	52,386	23,696	182,134
Postage and shipping	6,053	10,595	34,145	2,752	1,794	1,444	84	56,867	16,139	6,463	79,469
Printing, duplication, and artwork	14,205	131,847	62,779	11,506	858	747	-	221,942	11,464	10,881	244,287
Travel, conferences, and conventioı	485,256	424,316	1,393,383	322,594	48,273	40,340	1,201	2,715,363	292,000	378,424	3,385,787
Subscription and publication	14,496	16,381	145,583	11,372	1,531	912	-	190,275	24,085	34,161	248,521
Furniture and equipment	76,026	36,285	59,164	29,488	10,468	5,813	-	217,244	107,564	44,690	369,498
Awards and grants	-	3,000	15,000	-	-	-	-	18,000	1,000	-	19,000
Bad debt	-	-	-	-	-	-	-	-	1,178,264	-	1,178,264
Interest expense	39,993	16,896	28,503	14,860	4,265	1,662	-	106,179	54,946	23,725	184,850
Miscellaneous	63,063	43,234	166,953	44,481	6,852	4,548	2,332	331,463	263,625	12,120	607,208
Depreciation and amortization	346,150	146,243	246,706	128,617	36,919	14,384	-	919,019	475,584	205,346	1,599,949
Total expenses	$ 24,360,830	$ 4,832,048	$ 13,459,961	$ 2,495,585	$ 664,995	$ 278,169	$ 300,573	$ 46,392,161	$ 7,931,801	$ 4,010,996	$ 58,334,958

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1 ORGANIZATION

National Urban League, Inc. (the League or NUL) is a non-profit organization incorporated in the State of New York in 1910. The League is substantially funded through grants and contracts awarded by government agencies, foundations, and corporations.

The Urban Empowerment Fund (UEF) is a tax-exempt community development financial institution that was incorporated in July 2011. The League obtained a controlling financial interest in UEF in March 2013. UEF is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and has been classified as a publicly supported organization as described in IRC Sections 509(a)(1) and 170(b)(A)(vi). UEF received its determination letter from the Internal Revenue Service dated November 7, 2013. The net assets of UEF are not available for distribution to NUL.

ULEC, LLC is in business solely to (a) own a leasehold interest in the property located at 121 West 125th Street, New York, New York, (b) hold, manage, maintain, operate, improve, develop, construct, exchange, lease, sublease, convey, encumber, subdivide into condominium units, finance, and otherwise use the leasehold interest and its rights in the underlying property and (c) do any and all other acts that may be necessary or incidental to carry on the business of ULEC. The League is the sole managing member of ULEC. The other affiliated entities for this activity are: ULEC NUL HQ Local Development Corporation, ULEC Retail LLC, and ULEC NUL Harlem Revitalize Local Development Corporation (ULEC Development Affiliates).

The League is exempt from Federal income taxes under Section 501(c)(3) of the IRC and has been classified as a publicly supported organization as described in IRC Sections 509(a)(1) and 170(b)(A)(vi).

The League, a non-partisan, civil rights, and community-based movement, serves over two million people each year, providing direct services, research, and policy advocacy to assist individuals and communities attain their fullest potential. The League's network of 90 professionally staffed affiliates in 37 states and the District of Columbia work principally with African Americans and other disadvantaged urban communities to diligently close equality gaps for people at all economic levels and stages of life, thereby creating an opportunity for citizens to give back as volunteers. In pursuit of its mission–helping African Americans and other underserved urban residents to secure economic self-reliance, parity, power, and civil rights–the League's five-point approach to empowerment consists of:

Economic Empowerment invests in the financial literacy and employability of adults through job training, homeownership counseling, and entrepreneurship support.

Education and Youth Empowerment ensures that all children receive an education by providing access to early childhood literacy, afterschool programs, and college preparation.

NOTE 1 ORGANIZATION *(continued)*

Civic Engagement and Leadership Empowerment encourages all people to take an active role in improving their quality of life through participation in community service projects, and public policy initiatives.

Health and Quality of Life Empowerment encourages all people to take an active role in improving their wellness and quality of life through participation in preventative measures, health literacy programs, community service projects, and public policy initiatives.

Civil Rights and Racial Justice Empowerment guarantees equal participation in all facets of American society through proactive public policies and community-based programs.

Technical Assistance to Affiliates–NUL's affiliates offer services in 36 states and the District of Columbia to over 350 communities across the country. These professionally staffed offices fulfill NUL's services: where people and their neighborhoods grow, change, and are strengthened. The League's Affiliate Services Department's goal is to provide information and training to affiliate CEOs, Boards of Directors, staff, and volunteers to increase their understanding of the League's mission, and to enhance their professional skills and effectiveness.

UEF, a Community Development Financial Institution (CDFI), is focused on providing financial products (loans) and services to minority business enterprises (MBEs) located primarily in select urban League affiliate markets. The mission of UEF is to help MBEs gain access to capital, survive, prosper, grow, create jobs, and generate individual and community wealth. UEF works to achieve its mission by focusing on the development of MBEs, which requires a comprehensive set of services to address the primary barriers that inhibit their growth. These services include:

- Providing business advisory services to address the business knowledge deficits (competence)
- Offering a range of small business loan products ranging from $50,000-$250,000 (capital)
- Providing policy advocacy to improve the business climate for MBEs (customers)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying consolidated financial statements are presented on the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recorded when incurred.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Consolidated Financial Statement Presentation

In accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), the consolidated financial statements include the accounts of the League, UEF, ULEC, and ULEC Development Affiliates. All material intercompany transactions have been eliminated during consolidation.

NUL is required to report information regarding its financial position and activities according to two net asset classes: net assets without donor restrictions and net assets with donor restrictions as applicable, which are defined as:

Net Assets Without Donor Restrictions–Net assets without donor restrictions are available for us at the discretion of the Board of Trustees (the Board) and/or management for general operating purposes. From time to time, the Board designates a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion. For example, the Board has designated a portion of net assets without donor restrictions as a quasi-endowment (an amount to be treated by management as if it were part of the donor restricted endowment) for the securing NUL's long-term financial viability not subject to donor-imposed restrictions.

See Note 17 for more information on the composition of net assets without donor restrictions.

Net Assets With Donor Restrictions–Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time, and/or purpose restrictions.

NUL reports gifts of cash and other assets as revenue with donor restriction if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting NUL to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a Board-approved spending policy.

See Notes 16 and 17 for more information on the composition of net assets with donor restrictions and the release of restrictions, respectively. Donor-imposed stipulations may be fulfilled by an action of the League to satisfy the stipulations or become unrestricted at the date specified by the donor.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash, Cash Equivalents, and Restricted Cash

For purposes of the presentation of the consolidated financial statements, the League considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash equivalents at December 31, 2020 and 2019, were $18,625,679 and $4,079,628, respectively, and consisted of money market funds and certificates of deposit.

Cash and cash equivalents reported in the consolidated financial statements include restricted cash. In accordance with its agreement with Branch Banking and Trust Company (BB&T), now Truist, the League is required to maintain minimum cash balances in a deposit account with BBT until certain bond obligations are fully repaid. At December 31, 2020 and 2019, restricted cash was $500,000. This amount is included in cash, cash equivalents and restricted cash in the consolidated financial statements.

Additionally, cash contractually required to be held in a separate escrow account, in connection with NUL's new homesite development project, of $29,805,709 is separately reported as Restricted Cash held in escrow at December 31, 2020, in the consolidated financial statements.

The League maintains its cash and cash equivalent balances in financial institutions, which occasionally exceed the Federal Deposit Insurance Corporation limit and subject the League to concentration of credit risk. However, the League monitors this risk on a regular basis.

Investments

Investments are stated at the fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (*i.e.*, an exit price). The following is a description of the valuation methodologies used for assets measured at fair value:

Money market funds: Recorded at fair value, which approximates amortized cost.

Equity securities: Recorded at fair value based on the quoted market prices and broker prices. Consists of common stock, mutual funds, and other exchange traded funds.

Fixed-income securities: Recorded at fair value based on the quoted market prices and broker prices. Consists of mutual funds and other exchange-traded funds.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments *(continued)*

Private Equity Limited Partnership Fund: The fund consists of a diversified portfolio of venture capital, growth equity, and other private equity assets. The General Partner is responsible for establishing valuation processes and procedures to ensure that the valuation techniques for investments are fair and consistent. A market approach is used in determining the fair market value determined based on the underlying investments in the fund. Assumptions used by the General Partner due to the lack of observable inputs may significantly impact the resulting fair value and, therefore, the Fund's results of operations. Redemptions are not permitted.

The League's Investment Committee is responsible for determining the valuation policies and analyzing information provided by the investment custodians and issuers, which is used to determine the fair value of the League's investments. The Investment Committee is a sub-committee of the League's Board.

The Board has adopted a "spending formula," whereby a specified percentage of the rolling average balance of the League's long-term reserves is used to support current operations. All investment income over this amount is retained to support operational needs in future years and offset potential market declines.

The League targets a 60/40 ratio between equities and fixed-income securities for its endowment portfolio (a long-term investment).

Interest and dividend income are recognized when earned and are reflected within the net investment return as operating revenue in the consolidated statements of activities based on NUL's spending formula.

Realized gains and losses and unrealized appreciation and depreciation are reflected within the net investment returns in the consolidated statements of activities. For purposes of determining the gain or loss on sales, the cost of securities sold is based on the average costs of all shares of those securities sold.

Receivables

Allowance for doubtful accounts

The carrying value of grants receivable and contributions receivable is reduced by an appropriate allowance for uncollectible accounts, which approximates net realizable value. NUL determines its allowance by considering several factors, including the length of time receivables are past due, NUL's previous loss history, the donor's current ability to pay its obligation, and the condition of the general economy and the industry as a whole.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Receivables *(continued)*

Allowance for doubtful accounts (continued)

Receivables outstanding longer than the payment terms are considered past due. NUL writes off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are recorded as income in the period received.

Grants and pledges receivable

Grants and pledges receivable consist of amounts due from government agencies and unconditional promises received from donors, respectively. Grants receivable are recorded at their net realizable value. Unconditional promises are valued at fair value. Fair values are measured based on the present value of future cash flows, with consideration given to expectations about possible variations in the amount and/or timing of the cash flows and other specific factors that would be considered by market participants. Fair value measurements also include consideration of donors' credit risk.

Franchise fees are annual fees charged to the League's affiliates. The League has agreements with several affiliates for payment of fees in arrears. The agreements provide for installment payments over periods varying from one to five years. However, for the 2020 calendar year, there were no assessments of franchise fees.

Property and Equipment

Building, furniture and fixtures, equipment, and leasehold improvements are stated at cost, less accumulated depreciation or amortization computed by the straight-line method over the lease term or the following useful lives:

	Years
Building	40
Leasehold improvements	5–20
Furniture and fixtures	10
Equipment	3–7
Computer software	5–7

The League capitalizes all expenditures for property and equipment in excess of $1,000. Donated property and equipment are recorded at their estimated fair value on the date of donation in accordance with the League's capitalization policies.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property and Equipment *(continued)*

Beginning in 2013 and continuing through 2020, the League incurred and paid expenses related to the "future home" for its New York office. The League classified these expenses, which were considered pre-construction costs, as construction in progress within property and equipment on the consolidated statements of financial position. Included in these costs are capitalized interest, net of investment income, on financing bond, incurred during construction/pre-construction. These costs will be amortized over the estimated useful life of the property and equipment once placed in service.

Impairment Loss of Long-Lived Assets

NUL's management reviews its investment in long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of such property is not recoverable. Recoverability is measured by comparing the carrying amount of the property to the future net undiscounted cash flow expected to be generated by the property and any estimated proceeds from the eventual disposition of the property. If the property is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the property exceeds the fair value of such property. There was no impairment loss recognized in 2020 and 2019.

Pension Costs

The League is required to disclose the over- or under-funded status of its defined benefit plan as an asset or liability in its consolidated statements of financial position, and also to recognize changes in the funded status of the plan in net assets without donor restrictions as a non-operating activity in the year that the changes occur. As of December 31, 2020 and 2019, the under-funded status of the plan is a deficit of the fair value of plan assets over the projected benefit obligation, which amounted to $6,314,948 and $6,077,795, respectively.

Support and Revenue Recognition

Contributions

Unconditional contributions are recognized as revenue when received and recorded as without donor restriction or with donor restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), donor-restricted net assets are reclassified to without donor restriction net assets and reported in the consolidated statements of activities as net assets released from restrictions.

Gifts and grants that have donor-imposed conditions as to a specified or unspecified future event are not recognized until such conditions have been met. Conditional grants that have not been recorded as of December 31, 2020, because such conditions have not been met totaled $6,493,860.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Support and Revenue Recognition *(continued)*

Government Grants

Federal, state, and other grant awards received for specific purposes are recognized as support to the extent that the related expenses incurred are in compliance with the specific grant terms. The unexpended funds are reported as contract advances.

Program Service Fees

Program service fees are recorded as earned income generated from different conference activities that occur during the year.

Franchise Fees

Franchise fees are recorded as earned annual fees when billed and are based on the budget size of each affiliate.

Credit and Financial Risk

Substantially all pledges receivable are derived from individual, corporate, or foundation donors. All of these receivables are made on an unsecured basis.

The League maintains its cash and cash equivalents in bank deposit and money market accounts, which may exceed federally insured limits. The League believes it is not exposed to any significant credit risk on cash balances.

The League's investments are exposed to numerous risks such as interest rate, market, and credit. Due to this level of risk and the level of uncertainty related to changes in the value of such investments, it is reasonably possible that changes in risk in the near term could materially affect investment balances and the amounts reported in the consolidated financial statements.

Donated Material, Services, Rent, and Other Assets

Donated materials and services that meet the requirements for recognition are recorded as revenue and expenses in the accompanying consolidated statements of activities at their fair values. Donated materials and services were in the form of donated media services. The fair values of the donated media are determined based on consideration of cash payments typically made by buyers for similar advertising and media, standard discounts given for similarly placed media, the media type and placement, and other considerations.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Donated Material, Services, Rent and Other Assets *(continued)*

In-kind contributions are the value of non-cash contributions provided by affiliates. They are often required in the provisions of public grants. They may be in the form of real and personal property, as well as the value of goods and services that directly benefit a project. For the League, in-kind contributions consist mainly of the cost associated with the supervision of program participants that is not directly charged to a project and the costs of materials and training spaces.

Contributed financial assets, other than cash, are recorded at fair value as the date of the donation. Additionally, contributed financial assets, other than cash, are recorded at fair value as the date of the donation.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited and are determined by management in accordance with grant provisions. The expenses that are allocated include depreciation, interest, occupancy, office expenses, and other expenses, which are allocated based on salaries.

Advertising Expenses

The League recognizes advertising expenses at the time of invoice and payment terms. Advertising may be for multiple future dates and used as both video and print advertising. The vendor (in most cases) will invoice the League for the cost of all airings of a specific advertisement. Advertising expenses of $318,301 and $583,015 in 2020 and 2019, respectively, are reported as part of the professional contract services expense in the consolidated statements of functional expenses.

Measure of Operations

The League uses a “change in net assets from operations” as the measure of net assets that are available to support services in future periods. Measure of operations excludes gains or losses on interest rate swaps, certain pension-related changes, and excludes the excess or deficit from the application of the League’s endowment spending policy rate.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income Taxes

The League is exempt from Federal income taxes under Section 509(a)(1) and is classified as a Section 501(c)(3) of the IRC. ULEC and ULEC Development Affiliates are considered disregarded entities for tax purposes. Accordingly, no provision for Federal or state income taxes has been made in the accompanying consolidated financial statements.

UEF is exempt from Federal income taxes under Section 509(a)(1) and classified as a Section 501(c)(3) of the IRC. Accordingly, no provision for Federal or state income taxes has been made in the accompanying consolidated financial statements. UEF is subject to routine audits by taxing jurisdictions. UEF's initial filing year was 2013. There are no audits for any tax periods that are currently in progress.

Management has analyzed the tax positions taken by the League and has concluded that as of December 31, 2020 and 2019, there are no uncertain tax positions taken or are to be taken. Accordingly, no interest or penalties related to uncertain tax positions have been accrued in the accompanying consolidated financial statements.

The League is subject to routine audits by taxing jurisdictions; however, no audits for any tax periods are currently in progress. Management believes that the League is no longer subject to such income tax examinations for years prior to 2017.

Debt Issuance Costs

Debt issuance costs related to the revenue bonds and NTMC loan payable are presented in the consolidated statements of financial position as a reduction to the carrying value of long-term debt and are amortized over the period the revenue bonds are outstanding using the straight-line method, which approximates the effective interest method (see Note 8 – Long-Term Debt).

Interest Rate Swap Agreement

The interest rate swap agreement is stated at fair value. Its fair value is the estimated amount that the bank or financial institution would receive or pay to terminate the swap agreement at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Recent Accounting Pronouncements

In August 2018, the FASB issued ASU 2018-13, *Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which amends Accounting Standards Codification (ASC) 820, *Fair Value Measurement*. This ASU modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. The League has adopted this ASU in 2020 and there was no material impact to the financial results.

NOTE 3 INVESTMENTS

Fair Value on a Recurring Basis

The following tables set forth, by level within the fair value hierarchy, investment assets and liabilities as of December 31, 2020 and 2019:

	Assets at Fair Value as of December 31, 2020			
	Total	**Level 1**	**Level 2**	**Level 3**
Cash and cash equivalents				
Interest-bearing cash deposits	$ 18,181,203	$ 18,181,203	$ -	$ -
Certificates of deposit	444,476	444,476	-	-
Total cash and cash equivalents	18,625,679	18,625,679	-	-
Investments				
Money market funds	8,739,164	8,739,164	-	-
Equity securities	32,369,678	32,369,678	-	-
Fixed-income securties	105,647,489	105,647,489	-	-
Partnership investment at fair value	1,484,349	-	-	1,484,349
Total investments	148,240,680	146,756,331	-	1,484,349
Interest rate swap agreement	279,747	-	279,747	-
Total assets at fair value	$ 167,146,106	$ 165,382,010	$ 279,747	$ 1,484,349

	Assets at Fair Value as of December 31, 2019			
	Total	**Level 1**	**Level 2**	**Level 3**
Cash and cash equivalents				
Interest-bearing cash deposits	$ 3,637,670	$ 3,637,670	$ -	$ -
Certificates of deposit	441,958	441,958	-	-
Total cash and cash equivalents	4,079,628	4,079,628	-	-
Investments				
Money market funds	422,251	422,251	-	-
Equity securities	14,297,035	14,297,035	-	-
Fixed-income securties	6,881,810	6,881,810	-	-
Partnership investment at fair value	185,342	-	-	185,342
Total investments	21,786,438	21,601,096	-	185,342
Interest rate swap agreement	111,246	-	111,246	-
Total assets at fair value	$ 25,977,312	$ 25,680,724	$ 111,246	$ 185,342

NOTE 3 INVESTMENTS *(continued)*

Fair Value on a Recurring Basis *(continued)*

The measurement of fair value is determined based on the exchange price that would be received for an asset or paid to transfer a liability (*i.e.*, an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. Fair value measurement establishes a three-level valuation hierarchy based upon observable and non-observable inputs.

Assets and liabilities recorded at fair value in the consolidated statements of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. The three levels of inputs defined by ASC 820 are as follows:

Level 1: Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2: Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The League's interest rate swap is observable at commonly quoted intervals for the full term of the swap and is, therefore, categorized as a Level 2 investment. For the interest swap to be in an asset position, the credit standing of the counterparty is analyzed and factored into the fair value measurement of the asset.

During 2019, the League invested in Auldbrass Partners Secondary Opportunity Fund II, L.P, a private equity fund (Fund), which is considered a Level 3 investment within the fair value hierarchy. The League's has an unfunded capital commitment of approximately $639,000 as of December 31, 2020.

During 2020, the League invested in Orangewood Partners II, L.P, a private equity fund (Fund), which is considered a Level 3 investment within the fair value hierarchy. The League's has an unfunded capital commitment of approximately $556,000 as of December 31, 2020.

The following table includes a rollforward of the amounts for the year ended December 31, 2020, for investments classified within Level 3. The classification of an investment within Level 3 is based upon the significance of the unobservable inputs to the overall fair value measurement.

NOTE 3 INVESTMENTS *(continued)*

Fair Value on a Recurring Basis *(continued)*

	Private Equity Funds	
	2020	2019
Balance of recurring Level 3 assets at January 1	$ 185,342	$ -
Purchases	556,582	285,896
Unrealized gain/(loss)	541,317	(100,554)
Realized gain	500,190	210,775
Investment loss	(211,693)	(51,857)
Return of capital	(87,389)	(158,918)
Balance of recurring Level 3 assets at December 31	$ 1,484,349	$ 185,342

There were no transfers in and out of Level 3 assets.

All net realized and unrealized gains and losses in the table are reflected in the accompanying consolidated statements of activities.

The following schedule summarizes the investment return and its classification in the consolidated statements of activities:

	2020	2019
Dividends and interest income	$ 410,803	$ 382,097
Net realized gains on sales of investments	2,335,792	1,875,516
Unrealized appreciation/(depreciation) of investments	(228,072)	1,379,738
Total investment return	$ 2,518,523	$ 3,637,351
Current operations	$ 1,671,893	$ 1,093,274
Non-operating activity	846,630	2,544,077
Total investment return	$ 2,518,523	$ 3,637,351

The dividends and interest income above are net of investment fees of $194,817 and $189,013 in 2020 and 2019, respectively.

NOTE 3 INVESTMENTS *(continued)*

Fair Value on a Recurring Basis *(continued)*

Under the League's endowment spending policy in 2020 and 2019, 5% of the 12-month rolling average fair value of its long-term reserves was used to support current operations. The following schedule summarizes the classification of the investment return in the consolidated statements of activities in accordance with this policy:

	2020	2019
Gain on non-long-term reserves	$ 579,299	$ 20,396
Board-designated for current operations	1,092,594	1,072,878
Total designated for current operations	1,671,893	1,093,274
Investment return on long-term reserves	1,939,224	3,616,955
Board-designated for current operations	(1,092,594)	(1,072,878)
Non-operating investment return	846,630	2,544,077
Total investment return	$ 2,518,523	$ 3,637,351

NOTE 4 GRANTS AND PLEDGES RECEIVABLE

The discount rate applied to contributions receivable in excess of one year consisted of the application of a current two-year Treasury bill rate at that time. Amounts due in more than one year were adjusted to fair value using present value techniques that assumed a discount rate of 1.58% in 2020 and 2019. Grants and pledges receivable at December 31 are comprised of the following:

	2020	2019
Grant and contract receivables		
Less than one year	$14,403,211	$ 5,371,232
One to five years	13,638,333	2,175,000
Less: Fair value adjustment	-	(79,209)
Pledges receivable		
Pledges due in less than one year	4,460,483	1,964,857
	32,502,027	9,431,880
Less: Allowance for doubtful amounts	(130,000)	(100,000)
Total grants and pledges receivable, net	$32,372,027	$ 9,331,880

NOTE 5 FRANCHISE FEES RECEIVABLE

The League has agreements with several of its affiliates for the payment of fees in arrears. The agreements provide for installment payments over periods varying from one to three years.

	2020	2019
Gross franchise fees receivable	$ 1,975,163	$ 2,091,802
Less : Allowance for doubtful amounts	(1,975,163)	(1,450,000)
Net franchise fees receivable	$ -	$ 641,802

NOTE 6 PROPERTY AND EQUIPMENT

At December 31, 2020 and 2019, property and equipment consisted of the following:

	2020		
	Cost	**Accumulated Depreciation and Amortization**	**Net Book Value**
Leasehold improvements	$ 4,121,133	$ 3,124,435	$ 996,698
Building	4,109,068	350,984	3,758,084
Furniture and fixtures	960,794	315,694	645,100
Equipment	747,938	699,488	48,450
Computer software	2,593,247	1,705,303	887,944
	12,532,180	6,195,904	6,336,276
Construction in progress	8,764,974	-	8,764,974
Total	$ 21,297,154	$ 6,195,904	$ 15,101,250

	2019		
	Cost	**Accumulated Depreciation and Amortization**	**Net Book Value**
Leasehold improvements	$ 4,090,468	$ 2,144,746	$ 1,945,722
Building	4,109,068	248,267	3,860,801
Furniture and fixtures	900,854	224,475	676,379
Equipment	725,157	586,319	138,838
Computer software	2,264,870	1,413,157	851,713
	12,090,417	4,616,964	7,473,453
Construction in progress	4,095,697	-	4,095,697
Total	$ 16,186,114	$ 4,616,964	$ 11,569,150

Depreciation and amortization expenses for 2020 and 2019 were $1,590,065 and $1,599,949, respectively.

NOTE 7 DEVELOPMENT PROJECT

In 2020, the League (in conjunction with its ULEC Development Affiliates) entered into a development agreement with 125 W. 125 Developer LLC (125, LLC) to develop a New York State-owned parking garage in Harlem into a 414,000 square foot SF state-of-the-art mixed-use project totaling $242 million. The development is comprised of the headquarters and conference center for the League, a Museum of Urban Civil Rights (the first Civil Rights museum in New York State), office space, retail, community facility space, and affordable housing. The League's headquarters, conference center and museum will be directly owned and operated by NUL or affiliates of NUL.

As part of the closing transaction, the League entered into a bridge loan agreement with Goldman Sachs to borrow, if needed, up to $29,799,979 to finance a portion of actual costs of the project. These funds will be used to support construction and development costs for the project. This loan is collateralized by the assignment of certain leases and rents. Additionally, the League was initially required to fund an escrow account in the amount of $29,333,250 (includes $3,633,250 related to New Markets Tax Credits (NTMC)). Cash deposits held in escrow accounts by Goldman Sachs at December 31, 2020, were $29,805,709 (includes $4,370,857 related to NMTC).

The League entered into a ground lease with New York State Urban Development Corporation d/b/a Empire State Development (ESD), to lease the land upon with the mixed-use space will be developed. Construction began in 2020, and the League expects to occupy the new headquarters by 2025.

As part of the closing transaction, the New York Housing Finance Agency ("NYHFA") provided, if needed, up to $22,500,000 as proceeds from NYHFA-issued 501(c)(3) bonds to finance a portion of actual costs of the project. These funds will be used to support construction and development costs for the project. The League has a balloon payment in five (5) years, equal to the balance of the proceeds received. As of December 31, 2020, $8,674,024 of the funds were approved to the League for 2020 related incurred costs. As of December 31, 2020, the remaining balance of $13,825,976 is held at Bank of New Mellon by NYHFA in trust for the project waiting to be requisitioned starting in 2021.

NOTE 8 ACCRUED PENSION BENEFITS

The League sponsors a non-contributory defined contribution plan (the plan) and a defined benefit plan covering substantially all of its employees. The defined benefit plan was frozen to new entrants in 2002.

Contributions to the defined contribution plan are based on employees' annual compensation; expenses for 2020 and 2019 were $425,512 and $492,903, respectively.

NOTE 8 ACCRUED PENSION BENEFITS *(continued)*

The defined benefit plan provides benefits based on participants' earnings and years of service. Net periodic pension costs are determined using the projected-unit credit method in accordance with the provisions of financial accounting standards.

The following tables provide a reconciliation of benefit obligations, plan assets, and funded status of the plan:

	2020	2019
Change in benefit obligations		
Projected benefit obligations, beginning of year	$ 22,504,182	$ 21,053,356
Service cost	77,236	110,241
Interest cost	648,725	808,334
Actuarial (gain) loss	2,422,058	1,864,315
Benefit payments and settlements	(1,500,180)	(1,332,064)
Projected benefit obligations, end of year	24,152,021	22,504,182
Change in plan assets		
Fair value of plan assets, beginning of year	16,426,387	14,396,149
Actual return on plan assets (net of expenses)	1,593,289	2,884,885
Employer contributions	1,317,577	477,418
Benefit payments and settlements	(1,500,180)	(1,332,065)
Fair value of plan assets, end of year	17,837,073	16,426,387
Funded status	$ (6,314,948)	$ (6,077,795)

	2020	2019
Reconciliation of funded status		
Funded status	$ 6,314,948	$ 6,077,795
Actuarial (loss)	(10,616,602)	(9,390,347)
Accrued benefit (loss)	$ (4,301,654)	$ (3,312,552)

An employer is required to recognize the funded status of a benefit plan in its statement of financial position. Additionally, the gains or losses and prior service costs or credits that arise during the period, but are not recognized as components of net periodic benefit cost, must be recognized. Additional information about certain effects on net periodic benefit cost for the next fiscal year arising from the delayed recognition of the gains or losses, and transition assets or obligations must be disclosed in the notes to the consolidated financial statements.

NOTE 8 ACCRUED PENSION BENEFITS *(continued)*

In addition, the League's consolidated statement of financial position as of December 31, 2020, required an increase of its liability associated with the defined benefit plan of $1,226,255 (actuarial gains or losses and prior service costs or credits that arise during 2020 but are not recognized as components of net periodic benefit cost). This increase in liability was reflected as an increase in the accrued pension cost and resulted in a corresponding decrease in net assets without donor restrictions. The League's consolidated statement of financial position as of December 31, 2019, required a reduction of its liability associated with the defined benefit plan of $817,481 (actuarial gains or losses and prior service costs or credits that arise during 2019 but are not recognized as components of net periodic benefit cost). This decrease in liability was reflected as a decrease in the accrued pension cost and resulted in a corresponding increase in net assets without donor restrictions.

The accumulated benefit obligations for the defined benefit pension plan were $23,956,057 and $22,323,062 at December 31, 2020 and 2019, respectively.

	2020	2019
Components of net periodic benefit cost		
Service cost	$ 77,236	$ 110,241
Interest cost	648,725	808,334
Expected return on plan assets	(836,324)	(700,480)
Amortization of net actuarial loss	438,840	497,391
Net periodic benefit cost	$ 328,477	$ 715,486

Weighted-average assumptions used to determine benefit obligations as of December 31 are as follows:

	2020	2019
Additional information		
Discount rate	2.15%	3.00%
Rate of compensation increase	1.00%	1.00%

NOTE 8 ACCRUED PENSION BENEFITS *(continued)*

Weighted-average assumptions used to determine net periodic pension cost for the year ended December 31 are as follows:

	2020	2019
Discount rate	3.00%	4.00%
Expected return on plan assets	6.25%	6.25%
Rate of compensation increase	1.00%	2.00%

The League based its expected return on plan assets on a building block approach, determining risk-free asset return assumptions, and applying a weighted-average methodology to the proportion of plan assets in each applicable asset class.

The League's pension plan's weighted-average asset allocations at December 31, 2020 and 2019, by asset category, are as follows:

	2020	2019
Asset category		
Stocks and equity securities	58%	52%
Bonds	38	43
Insurance contracts	4	5
Total	100%	100%

Cash Flows

Pension Contributions – The League expects to contribute $936,793 to its pension plan in 2021.

Estimated Future Pension Benefit Payments – The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Year	Amount
2021	$ 1,710,000
2022	1,640,000
2023	1,580,000
2024	1,580,000
2025	1,570,000
2026-2030	7,130,000

NOTE 8 ACCRUED PENSION BENEFITS *(continued)*

Plan Assets

The following table provides the fair value hierarchy of the plan's assets as of December 31, 2020:

	Assets at Fair Value as of December 31, 2020			
	Total	**Level 1**	**Level 2**	**Level 3**
Group pension contracts				
Insurance contracts	$ 695,661	$ -	$ -	$ 695,661
Investments at NAV				
Pooled separate accounts	17,141,412			
Total	$ 17,837,073			

The following table provides the fair value hierarchy of the Plan's assets as of December 31, 2019:

	Assets at Fair Value as of December 31, 2019			
	Total	**Level 1**	**Level 2**	**Level 3**
Group pension contracts				
Insurance contracts	$ 763,167	$ -	$ -	$ 763,167
Investments at NAV				
Pooled separate accounts	15,663,220			
Total	$ 16,426,387			

The following tables set forth a summary of changes in the value of the Plan's Level 3 investments for the years ended December 31, 2020 and 2019:

Group pension contracts - 2020	
Balance, at December 31, 2019	$ 763,167
Investment income	33,555
Payments and settlements	(101,061)
Balance, at December 31, 2020	$ 695,661

Group pension contracts - 2019	
Balance, at December 31, 2018	$ 791,297
Investment income	78,538
Payments and settlements	(106,668)
Balance, at December 31, 2019	$ 763,167

NOTE 8 ACCRUED PENSION BENEFITS *(continued)*

Plan Assets *(continued)*

The following is a description of the valuation techniques and inputs used for each major class of investments at fair value.

Commingled pooled separate accounts: The League opted to use the net asset value per share, or its equivalent, as a practical expedient for fair value of the Plan's interest in pooled separate accounts. Assets within the separate accounts include various types of mutual funds, fixed maturity securities, equity securities, mortgage loans, derivatives, hedge funds, other limited partnerships interests, short-term investments, and cash and cash equivalents. There were no unfunded commitments on redemption restrictions associated with these investments.

Group pension contracts: Group pension contract funds are maintained at book value in investment year generations. The generations consist of "new money," which is equal to funds received in that calendar year, investment income credited for that year, minus disbursements from the account made during that year. Each generation is associated with investments made during that year. To determine the fair value of a generation, all of the investments held in that generation must be brought to the current value. Fair value is determined by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the creditworthiness of the issuer. Once the current value of the securities in each generation is determined, the percentage of the generation attributable to the contract is determined. The value of that percentage is the fair value. The total of all of the generations equals the fair market value of the entire contract fund.

NOTE 9 BONDS PAYABLE

Revenue Series Bonds Series 2017

In August 2017, BB&T, now Trust, issued $4,250,000 in Revenue Bonds Series 2017 (2017 Bonds). The 2017 Bonds are tax exempt and bear interest, which is payable monthly at a rate of 2.0%. The 2017 Bonds mature on September 1, 2042.

Long-term debt on the 2017 Bonds consisted of the following as of December 31, 2020 and 2019:

	2020	2019
Revenue bonds (gross)	$ 3,866,972	$ 3,988,922
Unamortized debt issuance costs	(119,204)	(124,968)
Long-term debt (net)	$ 3,747,768	$ 3,863,954

NOTE 9 BONDS PAYABLE *(continued)*

Revenue Series Bonds Series 2017 *(continued)*

Interest expense, including interest rate swap interest, on the 2017 Bonds was $100,559 and $154,672 for the years ended December 31, 2020 and 2019, respectively.

Amortization of debt issuance costs is included as an addition to interest expense on the consolidated statements of activities. The amortization of debt issuance costs was $5,767 for each of the years ended December 31, 2020 and 2019.

New York Housing Finance Agency Bonds

As described in Note 7, the New York Housing Finance Agency ("NYHFA") will provide, if needed, up to $22,500,000 as proceeds from NYHFA-issued 501(c)(3) bonds to finance a portion of actual costs of the development project. The League has a balloon payment in five (5) years, equal to the balance of the proceeds received and pays interest at a rate of 2.5% per annum. Total bond proceeds drawdown as of December 31, 2020 was $8,674,024. As of December 31, 2020, the remaining balance of $13,825,976 is held at Bank of New Mellon by NYHFA in trust for the project waiting to be requisitioned starting in 2021. Interest costs on the bonds, which have been capitalized during the construction/pre-construction period, was $282,812 the year ended December 31, 2020, towards the $22,500,000 bonds.

The aggregate amounts of principal maturities for the next five years are as follows:

Year	Amount
2021	$ 125,844
2022	129,861
2023	134,010
2024	138,294
2025	22,642,719
2026-2042	3,196,244
Total	$ 26,366,972

NOTE 10 INTEREST RATE SWAP AGREEMENT

The League has entered into an interest rate swap agreement with Truist. Under the agreement, the League's original notional amount was $4,250,000, which equated to approximately 100% of the obligation under the 2017 Bonds. The notional amount at December 31, 2020 and 2019, was $3,866,972 and $3,988,922, respectively. Under the terms of the agreement, the floating rate was swapped into a fixed rate of 3.8125%, with a termination date of September 1, 2025. This mechanism is intended to allow the League to realize the potential benefit of a lower fixed rate. At December 31, 2020 and 2019, the agreement's estimated fair value was in an asset position of $279,747 and $111,246, respectively.

The League's intent is to reduce overall interest expense while maintaining an acceptance level of risk exposure to increases in interest rates. The League follows the Derivatives and Hedging Topic of the FASB ASC, which requires the League to recognize all of its derivative instruments as either assets or liabilities in the balance sheet at fair value. The accounting for the change in fair value (*i.e.,* gain or loss) of the derivative instrument is recognized in the consolidated statements of activities.

Activity for the year ended December 31, 2020, for the interest rate swap agreement, is as follows:

Fair value of interest rate swap asset, beginning of year	$ 111,246
Unrealized gain on interest rate swap	168,501
Fair value of interest rate swap asset, end of year	$ 279,747

Activity for the year ended December 31, 2019, for the interest rate swap agreement, is as follows:

Fair value of interest rate swap asset, beginning of year	$ 38,616
Unrealized gain on interest rate swap	72,630
Fair value of interest rate swap asset, end of year	$ 111,246

NOTE 11 LINE OF CREDIT

In August 2017, the League entered into a loan agreement (the Agreement) with Truist, whereby the bank provided the League with a revolving line of credit in the amount of $2,000,000. The loan bears an interest rate of 3.8125%. The line of credit is secured by all personal property of League, as defined in the Agreement.

The loan balance at December 31, 2020 and 2019, amounted to zero, respectively. Interest expense in 2020 and 2019 amounted to zero and $24,411, respectively.

The League is in compliance with the terms of the Agreement.

NOTE 12 DONATED ASSETS, SERVICES AND MATERIALS

During 2020, the League received donations from Morgan Stanley in the form of the assignment of rights associated with loans receivable totaling $2,268,146. The donation consisted of a $1,687,000 loan receivable from the Capital Access Fund of Cleveland ("CAFC"), and a $581,146 loan receivable from the NDC Community Impact Loan Fund of Broward County, Florida ("NDC"). These amounts are included in other assets on the statement of financial position.

During 2020, the League also received donated contributions related to a ground lease valued at $2,603,656, as described in Note 15.

NUL received total donated materials and services valued at $1,682,934 and $7,251,319 in 2020 and 2019, respectively. Included in the donated materials and services are $376,778 and $5,360,557 for its television airtime in 2020 and 2019, respectively; $72,450 and $151,000 for its airline fares in 2020 and 2019, respectively; and $1,233,706 and $1,739,762 from affiliates for donated time for programmatic initiatives for 2020 and 2019, respectively.

NOTE 13 SPECIAL EVENTS

The League sponsored one special event: The Equal Opportunity Day Dinner in November.

For the years ended December 31, 2020 and 2019, total revenue and expenses related to the events were as follows:

	2020	2019
Special event-revenues (gross)	$ 1,372,072	$ 1,431,772
Special event-expenses (gross)	(216,257)	(462,729)
Net special event-revenue	$ 1,155,815	$ 969,043

Special events revenue and expenses are shown on the consolidated statements of activities as gross amounts.

NOTE 14 LEASES

Lease Recognition

The League determines if an arrangement is a lease or contains a lease at inception. The League has operating leases for office space and equipment with remaining lease terms of three years to five years. For leases with renewal options, the lease term is extended to reflect renewal options the League is reasonably certain to exercise. Operating lease assets and operating lease liabilities are recognized based on the present value of the future lease payments over the lease term at the commencement date. As most of the League's leases do not provide an implicit rate, the League estimates its incremental borrowing rate based on information available at the commencement date in determining the present value of future payments. Lease expense for net present value of payments is recognized on a straight-line basis over the lease term.

In connection with office and equipment leases, the League recognized as of December 31, 2020 and 2019, a lease liability of $1,933,704 and $3,850,085, respectively, which represents the present value of the remaining lease payments of $1,957,113 and $3,942,609, respectively, discounted using the League's estimated incremental borrowing of 2.4% per year and a right of use asset of $1,418,485 and $2,820,846, respectively, which represents the lease liability of $1,933,704 and $3,850,085, respectively, adjusted for deferred rent credit of $515,219 and $1,029,239, respectively.

Lease expense of $1,122,796 and $1,124,978 in 2020 and 2019, respectively, is included in the consolidated statements of functional expenses.

Supplemental cash flow information related to leases was as follows:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from operating leases - 2020	$ 1,636,815
Operating cash flows from operating leases - 2019	$ 1,638,997

Supplemental weighted information related to leases were as follows:

Operating leases weighted average remaining lease term in years - 2020	1 year
Operating leases weighted average remaining lease term in years - 2019	2 years
Operating leases weighted-average discount rate - 2020 and 2019	2.4%

NOTE 14 LEASES *(continued)*

Lease Recognition *(continued)*

Maturities of lease liabilities as of December 31, 2020, were as follows:

Year	**Amount**
2021	$ 1,939,557
2022	17,551
Total lease payments	1,957,108
Less: Imputed interest	23,404
Total	$ 1,933,704

Office Lease

In December 2016, NUL entered into a new lease for the New York office space, 80 Pine Street, from January 2017 until December 2021. Remaining annual future minimum rental payments and income under the lease and sublease with the United Negro College Fund are as follows:

Year	**Rental Expense**	**Sublease Income**
2021	$1,545,615	$ 135,000

The New York office, 80 Pine Street, net rental expense for the years ended December 31, 2020 and 2019, was $1,031,592, respectively.

Ground Lease

The League entered into an operating ground lease agreement (the Ground Lease) dated July 22, 2020, with New York State Urban Development Corporation d/b/a Empire State Development (ESD) as described in Note 7. The Ground Lease terminates in 2115.

During 2020, the League made a prepayment of all rent due under the lease in the amount of $5,000,000. The appraised fair value of the ground lease rental was determined to be $11,000,000. The difference between the fixed rent and the determined fair value of ground lease rental as of the date of the donation was $6,000,000. The total value of the right to use asset of $7,603,656 associated with the ground lease includes the prepayment of $5,000,000 and the present value (at assumed discount rate of 2%) of the contribution receivable of $2,603,656 as of December 31, 2020.

NOTE 14 LEASES *(continued)*

Lease Recognition *(continued)*

Ground Lease (continued)

The components of the contributed rent receivable are as follows as of December 31:

	2020	2019
Contributed (rent) receivable due in less than 1 year	$ 60,606	$ -
Contributed (rent) receivable due from 2 - 5 years	303,030	
Contributed (rent) receivable due from 6 - 98 years	5,636,364	-
	6,000,000	-
Present value adjustment	(3,396,344)	-
contributed rent recievable (net)	$ 2,603,656	$ -

NOTE 15 COMMITMENTS AND CONTINGENCIES

Contingencies

NUL is involved in several legal proceedings arising from the ordinary course of its business. Management believes that these legal proceedings will not have a material adverse effect on NUL's financial position, changes in net assets, or cash flows.

NOTE 16 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods as follow:

	2020	2019
Subject to expenditures for a specific purpose		
Economic Empowerment	$ 129,952,190	$ 3,981,242
Building Fund	18,509,899	10,136,799
Education and Youth Empowerment	11,654,588	1,684,147
Civic Engagement/Leadership Empowerment	2,581,916	1,139,608
Health and Quality of Life Empowerment	457,375	26,155
Total purpose restricted	163,155,968	16,967,951
Subject to the passage of time		
Future periods	15,222,812	6,131,182
Endowment funds	3,796,898	2,950,268
Subtotal	182,175,678	26,049,401
Restrictions permanent in nature		
Permanent Development Fund	4,956,505	4,956,505
Breakthrough Campaign	14,762,433	14,762,433
Other	279,127	279,127
Subtotal	19,998,065	19,998,065
Total	$ 202,173,743	$ 46,047,466

Amounts subject to expenditures for specific purposes will be spent on activities or items prescribed by each donor.

NUL’s endowment consists of funds received through separate fundraising campaigns established for several purposes. Its endowment includes donor-restricted endowment funds. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence, if any, of donor-imposed restrictions.

NOTE 17 NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passages of time or other events specified by donors and/or the Board. The net assets released from restrictions are as follows:

	2020	2019
Specific passage of time		
Economic empowerment	$ 10,297,941	$ 4,730,756
Building fund	230,556	268,200
Education and Youth Empowerment	2,389,252	4,624,159
Civic Engagement/Leadership Empowerment	1,352,452	1,372,214
Health and Quality of Life Empowerment	138,222	196,003
Urban Empowerment Fund	-	300,573
Passage of time	5,613,701	3,065,871
Total	$ 20,022,124	$ 14,557,776

NOTE 18 NET ASSETS WITHOUT DONOR RESTRICTIONS

During 2020, the League generated operating income without donor restrictions of $815,874. The net results of these activities increased the unrestricted undesignated net assets to $7,095,299. The League is also required to recognize net actuarial losses of $1,226,255 that came from its defined benefit pension plan during 2020 but were not recognized as components of net periodic pension cost. As a result, this caused the pension-related cost balance to be $(10,616,602) as of December 31, 2020.

In addition, during 2020, it was determined that $41,468,328 of unrestricted contribution would be classified as board designated funds. Also, during the year $16,468,328 was used to fund a required escrow deposit.

During 2019, the League generated an operating income without donor restrictions of $754,647. The net results of these activities increased the undesignated net assets to $6,110,924. The League is also required to recognize net actuarial gain of $817,481 that came from its defined benefit pension plan during 2019 but were not recognized as components of net periodic pension cost. As a result, this caused the pension-related cost balance to be $(9,390,347) as of December 31, 2019.

NOTE 19 LIQUIDITY AND AVAILABILITY OF RESOURCES

The League's financial assets available within one year of the consolidated statements of financial position date for general expenditures, such as operating expenses, debt service, and capital construction costs not financed with debt, were as follows:

	2020	2019
Financial assets		
Cash, cash equivalents and restricted cash	$ 32,292,228	$ 14,378,394
Investments	148,240,680	21,786,438
Funds held in escrow by others	13,825,976	-
Cash deposits in escrow	540,171	-
Grants and pledges receivables, net - current	18,733,694	7,236,089
Grants and pledges receivables, net - non-current	13,638,333	2,095,791
Franchise fees receivable, net	-	641,802
Total financial assets available	227,271,082	46,138,514
Liquidity resources		
Bank line of credit available	2,000,000	2,000,000
Total financial assets and liquidity resources available	229,271,082	48,138,514
Less:		
Amounts unavailable for general expenditures within one year, due to		
Restricted - Board Designated	(24,841,071)	-
Restricted by donors with purpose restrictions	(159,369,633)	(5,466,553)
Restricted by donors in perpetuity	(19,998,065)	(19,998,065)
Total amounts unavailable for general expenditures within one year	(204,208,769)	(25,464,618)
Net financial assets and liquidity resources available within one year	$ 25,062,313	$ 22,673,896

As part of the League's liquidity management plan, the League structures its assets to be available as general expenditures, liabilities, and other obligations become due. In addition, the League anticipates collecting sufficient revenue, averaging approximately $1,860,000 monthly, to cover general expenditures not covered by donor-restricted resources.

The 2019 amounts have been revised for consistency with the 2020 methodology for determining liquid assets available within one year. Consequently, amounts available within one year as of December 31, 2019, were revised from $2,091,048 to $22,673,896.

NOTE 20 ENDOWMENTS

NUL's endowments consist of funds received through separate fundraising campaigns established for several purposes. Its endowment includes donor-restricted endowment funds. As required by U.S. GAAP, the net assets associated with endowment funds are classified and reported based on the existence, if any, of donor-imposed restrictions.

Interpretation of Relevant Law

On September 17, 2010, the State of New York enacted the New York Prudent Management of Institutional Funds Act (NYPMIFA), a modified version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which superseded the Statement of New York Uniform Management of Institutional Funds Act. NUL's Board of Directors has interpreted NYPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, NUL classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment and (b) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions until those amounts are appropriated for expenditure by NUL. NUL considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund;
(2) The purposes of the organization and the donor-restricted endowment fund;
(3) General economic conditions;
(4) The possible effect of inflation and deflation;
(5) The expected total return of income and the appreciation of investments;
(6) Other resources of the organization; and
(7) The investment policies of the organization.

Endowment net asset composition by type are as follows:

December 31, 2020	Without Donor Restrictions	With Donor Restricted	Total
Board designated endowment funds	$ 25,000,000	$ -	$ 25,000,000
Donor restricted endowment funds	-	23,827,707	23,827,707
Total funds, as of Decemer 31, 2020	$ 25,000,000	$ 23,827,707	$ 48,827,707

December 31, 2019	Without Donor Restrictions	With Donor Restricted	Total
Board designated endowment funds	$ -	$ -	$ -
Donor restricted endowment funds	-	22,981,077	22,981,077
Total funds, as of Decemer 31, 2019	$ -	$ 22,981,077	$ 22,981,077

NOTE 20 ENDOWMENTS *(continued)*

Endowment Net Asset Composition by Type of Fund

Changes in endowment net assets for the fiscal years ended December 31, 2020 and 2019, are as follows:

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restriction
Endowment net assets, beginning of year	$ -	$ 22,981,077	$ 22,981,077	$ 20,437,000
Investment return	-	-	-	-
Investment income				
Interest and dividends	12,947	417,697	430,644	361,701
Net appreciation of investments	478,369	1,521,527	1,999,896	3,255,254
Board Designated Funds	41,468,328	-	41,468,328	-
Board Designated Funds - non-invested				
Board-approved appropriations				
Appropriation of endowment assets to:				
Capital projects - Escrow	(16,468,328)	-	(16,468,328)	-
Current operations	(491,316)	(1,092,594)	(1,583,910)	(1,072,878)
Endowment net assets, end of year	$ 25,000,000	$ 23,827,707	$ 48,827,707	$ 22,981,077

Return Objectives and Risk Parameters

NUL has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include donor-restricted funds that NUL must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board, the endowment assets will be diversified so as to minimize the risk of large losses, unless under particular circumstances it would prove unwise. Over the long term, the entire portfolio should increase the purchasing power of the assets and be organized to take into consideration the cash flow requirements and administration of NUL. Safety should be evaluated on an overall basis rather than for each individual investment.

A long-term investment objective has been set for a real return of at least 5% per year, net of fees, over inflation as measured by the Consumer Price Index. NUL seeks a total investment rate of return in excess of the rate of return of an investment in representative indices in the target allocation of the fund. The representative indices shall be as follows: The S&P 500 Stock Index for Large Cap Domestic Equity; the Russell 2000 for the Small Cap Domestic Equity; the MSCI All Country World Ex—U.S. Index for International Equities; and the Lehman Government/Credit Bond Index for fixed-income investments.

NOTE 20 ENDOWMENTS *(continued)*

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, NUL relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). NUL targets a diversified asset allocation, placing a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

NUL has a policy of appropriating for distribution a percentage set each year of its endowment fund's average fair value over the prior 12 quarters through the calendar year end proceeding the fiscal year in which the distribution is planned. In establishing this policy, NUL considered the long-term expected return on its endowment. Over the long term, NUL expects the current spending policy to allow its endowment to grow at an average of 5% annually. This policy is consistent with NUL's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as providing additional real growth through market results.

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the endowment donors, in entirety or UPMIFA requires the League to retain as a fund of perpetual duration. Deficiencies of this nature exist for the entire endowment. Continued appropriation for the annual spending formula was deemed prudent by the Board. There was no such deficiency as of December 31, 2020 and 2019.

NOTE 21 RELATED-PARTY TRANSACTIONS

Affiliates of the League are separately incorporated, non-profit organizations. Franchise fees are paid annually based on the budget size of the affiliates for an amount not to exceed $15,000. In 2020 and 2019, NUL recognized franchise fees of zero and $902,500, respectively.

Subcontract payments are made by the League to affiliates for their services in carrying out specific projects. In 2020 and 2019, subcontract payments to affiliates totaled $21,339,333 and $20,006,687, respectively.

The League received $1,233,706 and $1,739,762 in donated services and materials from affiliates in 2020 and 2019, respectively.

NOTE 22 NEW MARKETS TAX CREDIT

New Markets Tax Credits ("NMTC") are tax credits created by the federal government to help encourage investment in lower-income communities. The NMTC program is intended to incentivize capital investment in qualified low-income communities. Under the program, an NMTC Investor can claim credits against their federal income taxes for up to 39% of qualified investments in the equity of community development entities ("CDEs"). CDEs are privately managed investment institutions that are certified to make qualified low-income community investments. Investors receive a 39% federal tax credit earned over a seven-year period (the compliance period).

Stonehenge Community Development LLC

On August 21, 2009, an agreement was signed between the League and Stonehenge Community Development LLC. The agreement enlists the consulting assistance of the League and its national network of affiliates in performing economic impact assessments for each Qualified Low-Income Community Investment (QLICI) under Stonehenge Community Development's New Market Tax Credits authority. For each QLICI, the League is paid an economic assessment consulting fee equal to 0.50% of the amount of each QLICI. The League received $72,678 and $21,427 in fees for the years ended December 31, 2020 and 2019, respectively.

2020 New Markets Tax Credit Project

On December 31, 2020, ULEC, LLC entered into a financing transaction with GS Group NMTC Investor LLC ("NMTC Investor") under a qualified NMTC program pursuant to Section 45D of the Internal Revenue Code related to the construction of a mixed-use development project in Harlem, New York (the "NMTC Project").

In connection with the NMTC financing, the League loaned $3,633,250 to NUL Investment Fund, LLC (the "Investment Fund") at an interest rate of 1.376041% per year and with a maturity date of December 29, 2044. Repayments on the loan commence in March 2027. The NMTC Investor contributed $1,482,000 to the Investment Fund and, by virtue of such contribution, is entitled to all of the tax benefits derived from the NMTC. The Investment Fund is a wholly-owned subsidiary of the NMTC Investor.

The Investment Fund then contributed the combined proceeds to a community development entity (CDE), which, in turn, loaned $5,000,000, to ULEC, LLC, at an interest rate of 1% per year with a maturity date of December 29, 2050. Repayment of the loans commences in March 2027, and ULEC, LLC incurred $634,143 in structuring fees associated with structuring the NMTC. The proceeds from the CDE's loans will be used to partially fund the construction of the NMTC Project.

NOTE 22 NEW MARKETS TAX CREDIT *(continued)*

2020 New Markets Tax Credit Project *(continued)*

The NMTCs are subject to 100% recapture for a period of seven years. ULEC, LLC is required to be in compliance with various regulations and contractual provisions that apply to the New Markets Tax Credit arrangement. Noncompliance could result in the NMTC Investor's projected tax benefits not being realized and, therefore, require the League to indemnify the NMTC Investor for any loss or recapture of NMTCs. The League does not anticipate any credit recapture will be required in connection with this financing arrangement. The transaction includes a put/call provision whereby the League may be obligated or entitled to purchase the NMTC Investor's interest in the Investment Fund. The value attributed to the put/call is de minimis.

The League believes that the NMTC Investor will exercise the put option in December 2026, at the end of the recapture period.

NOTE 23 PAYCHECK PROTECTION PROGRAM LOAN

On April 10, 2020, the League received a Paycheck Protection Program ("PPP") loan in the amount of $2,497,307 in accordance with the CARES Act. Provided the League utilizes the proceeds for qualified expenses, this loan will become eligible for forgiveness and be considered a government grant. The League has elected to account for this funding in accordance with FASB ASC 470, *Debt*, until such time as the conditions to release the obligation have been met and the loan approved for forgiveness by the Small Business Administration ("SBA") lender. The principal loan amount is reflected as a liability along with accrued interest in the amount of $49,946 at a rate of 1%, as of December 31, 2020. The League applied for and received, on August 6, 2021, full forgiveness of the loan (and related accrued interest) from the SBA.

NOTE 24 SUBSEQUENT EVENTS

The League evaluated its December 31, 2020, consolidated financial statements for subsequent events through January 31, 2022, the date the consolidated financial statements were available to be issued. No other events requiring recognition or disclosure were identified, other than those disclosed above and below.

On March 25, 2021, Charter Communications Holding, LLC and the UEF entered into an agreement to borrow up to $3,000,000 to be paid in six (6) equal installments. Since that date, UEF has received the first installment of $500,000. UEF has availability of additional loans in $500,000 increments based on the achievement of certain milestones and conditions precedent. The proceeds will be used to help support UEF's deployment of small business loans. The loan is based on an interest rate of 2.5% and is based on a maturity of the earlier of 1) the fifth anniversary of installment number six (6) or 2) the seventh anniversary of the initial closing date (or March 24, 2028). Also, the maturity of the loan is subject to a loan renewal as agreed to by the parties.

NOTE 24 SUBSEQUENT EVENTS *(continued)*

In April of 2021, the League's Board approved the termination of the Retirement Income Plan. However, the Plan has not been formally terminated and the League had continued to make payments to the Plan. In September of 2021, the League has received a $7.1 million loan to help fund and eliminate the League's Plan liability. $6.550 million of the $7.1 million will be utilized towards the pension liability.

In September of 2021, the League loaned $9,398,200 to NUL Investment Fund, LLC (the "Investment Fund") at an interest rate of 1.117145% per year and with a maturity date of September 28, 2045. Repayments on the loan commence in December 2028. The NMTC Investor contributed $3,751,800 to the Investment Fund and, by virtue of such contribution, is entitled to all of the tax benefits derived from the NMTC.

The overall total loan is $13,150,000. However, a total of $270,000 was deducted as fees. Therefore, the net loan balance is $12,880,000. The "Investment Fund" then contributed the combined proceeds to three CDEs, which, in turn, loaned $12,880,000 to ULEC, LLC, at an interest rate of 1.000% per year with a maturity date of September 28, 2051. Repayment of the loans commences in December 2028.